

An aerial photograph of a beach. In the top left corner, there are four red beach umbrellas arranged in a diagonal line. The sand is a light beige color. On the right side, the ocean waves are breaking, showing a vibrant turquoise color near the shore and white foam. The bottom right corner of the image is a solid red triangle.

The Travel Diaries

The Annual Update From
The BDO Leisure M&A Team

Fifth Edition | 2024

IDEAS | PEOPLE | TRUST

BDO

Contents

01 Welcome to 2024's Travel Diaries

02 BDO's Recent Sell Side Deals

03 ATOL Renewals in 2024 -
What Have We Learned?

04 The BDO Outbound Travel
Growth League

05 The BDO Domestic Travel
Growth League

06 Our M&A Credentials

07 The BDO Travel Team

BDO's Leisure M&A Team



Harry Stoakes
Partner

+44 (0)7785 576 325
harry.stoakes@bdo.co.uk



Tom Urquhart
Director

+44 (0)7966 237 943
tom.i.urquhart@bdo.co.uk



Yashna Gopal
Senior Manager

+44 (0)7870 260 256
yashna.gopal@bdo.co.uk



Rhys Bowen
Senior Manager

+44 (0)7812 466 390
rhys.bowen@bdo.co.uk



Alec Fennell
Manager

+44 (0)7812 463 207
alec.fennell@bdo.co.uk



Freddie Florin
Manager

+44 (0)7812 465 015
freddie.florin@bdo.co.uk

Welcome to 2024's Travel Diaries

Travel Deals are Back!

It's been an eventful year...

England nearly won the Euros, we have seen the fourth Labour leader to win an election since WWII alongside the first ever female Chancellor of the Exchequer. The Gallaghers need a pay day and have announced a world tour in 2025. We spend a lot of time discussing dynamic pricing with clients, but when it comes to Oasis tickets, this was clearly unpopular!

Champagne Supernova

2024 has proven to be the travel M&A recovery year. Covid is long enough in the rear-view mirror to be less of a deal-bore when talking about last year's numbers, this year's numbers and what the business plan in the future looks like. There's less noise now around "re-bookings" and P&Ls have been relatively clean for two years. Diligence meetings on deals this year have (refreshingly) been focussed on booking momentum and margin sustainability rather than Covid normalisations.

The BDO leisure M&A team have led the deals recovery this year, advising on three sell side transactions to private equity together with buy side roles for international trade acquirers.

Selling consumer businesses is never easy. It's far easier for investors to pass their ICs with stable revenue stream businesses and contracted revenues, insulated from the consumer purse. The consumer landscape is also grappling with the government's tax take in the UK being at a long term high; interest rates being the highest since 2008 and 30 months of the Covid + Ukraine invasion-induced inflation spike. Despite this, deals can be completed with the right advice.

BDO's sell-side travel deals in 2024



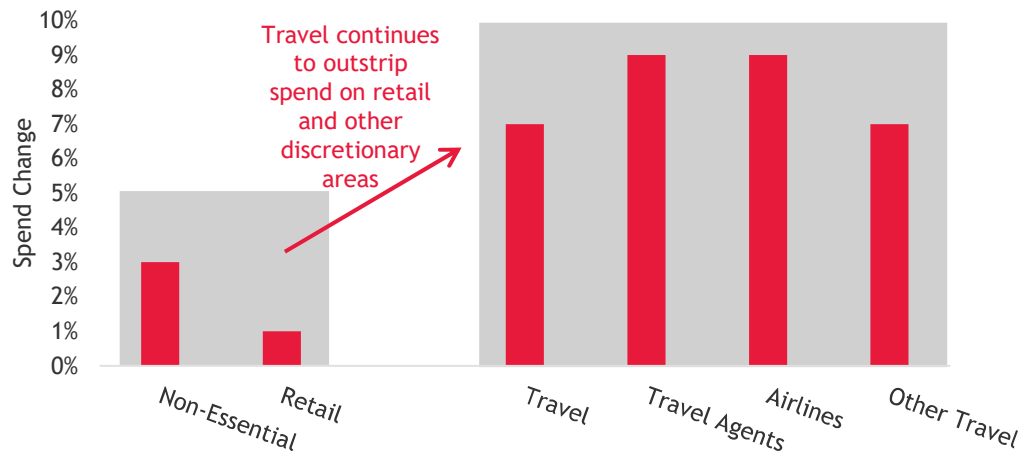
Live Forever

So why is this...?

01

All consumer market research on the allocation of discretionary income points to a consumer that is prioritising travel experiences over all other consumption choices.

This can be seen in the Barclaycard spend data below.



Source: Barclays Market and Customer Insights. Sep-24 vs Aug-24

02

EXPERIENCES > LANDFILL. For investors, travel is now an attractive segment. The Instagram culture of “look at me” fuels ongoing consumer demand. Covid highlighted how finite and sometimes lonely life can be and there is no better cure to Living Forever than travelling. Buying expensive clothing might give you this elation, but only momentarily.

At BDO, we’ve seen a post-Covid consumer adjustment towards prioritising experiencing the world, new cultures and going all in on fun over consuming “things” that may end up in landfill. Bringing people and cultures together to make the world a friendlier place is also an excellent ESG angle.

03

The paradox is travel has adverse environmental impacts. Consumers view travel as essential spend that cannot be substituted. Consumers would rather learn about how to offset their carbon footprint rather than giving up unique experiences. At no point have we heard investors turn down a grade A investment plan on environmental grounds and one only needs to see the market cap of Booking.com and Airbnb to see this in action. Our advice is to have a clear and crisp ESG story. There’s now a good selection of travel B Corps, with some listed below:

A selection of B Corporation travel businesses



THE THINKING TRAVELLER



WILD FRONTIERS

AUDLEY



TRUE TRAVEL

Rabbie's®

04

The debt markets have returned to support PE deals. Each of our three sell side deals to private equity. This year had multiple debt offers at pre Covid leverage levels.

05

Valuations are back. Ok, the listed market hasn't recovered fully for On the Beach but that is partly due to the under valuation of many listed UK businesses. This is also attributable to loveholidays taking their share (see the ATOL numbers later in this report). For private deals, I can confidently say having advised on 40 completed travel deals over the last 12 years that valuations are back to where they were before Covid. It has taken four years since the dark days in 2020, but they're back and it's great news for sellers.

06

Other notable deals this year include Mobeus investing in the high growth escorted tour business Distant Journeys and BGF investing in European DMC Vosaio. TAG, buoyed by the international live music scene, saw investment from seasoned travel investor ECI Partners.

Deals for UK travel businesses have started picking up again. Some examples include...



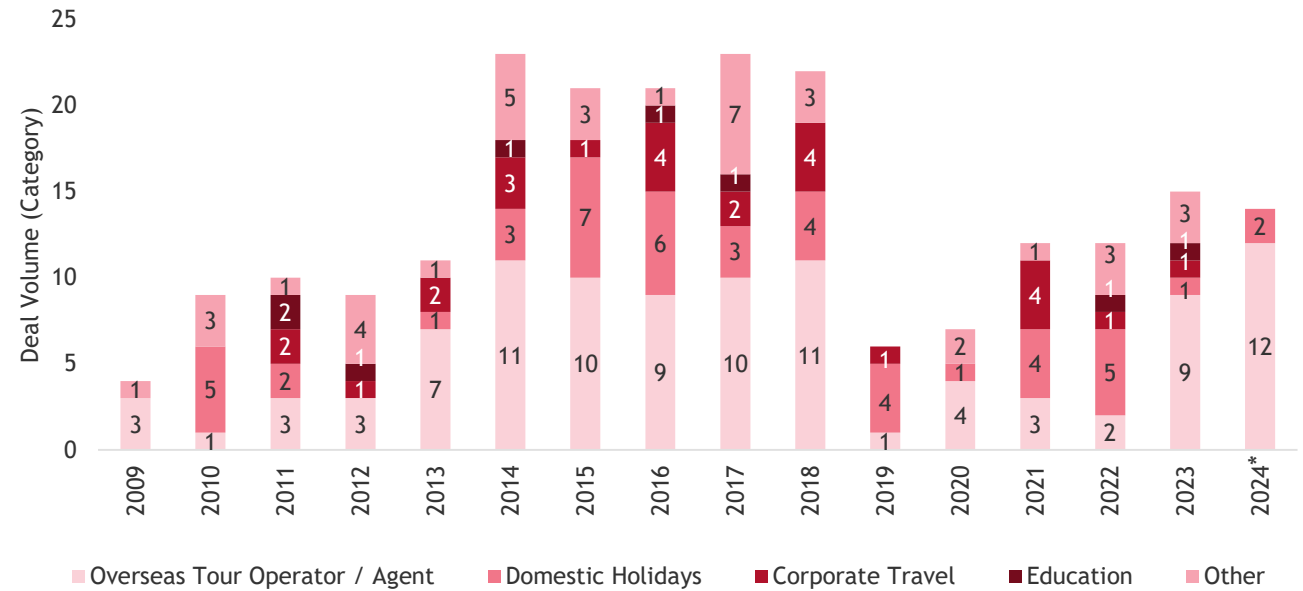
I Hope, I Think, I Know

The charts to the right show UK travel deal volume from 2009 to 2024.

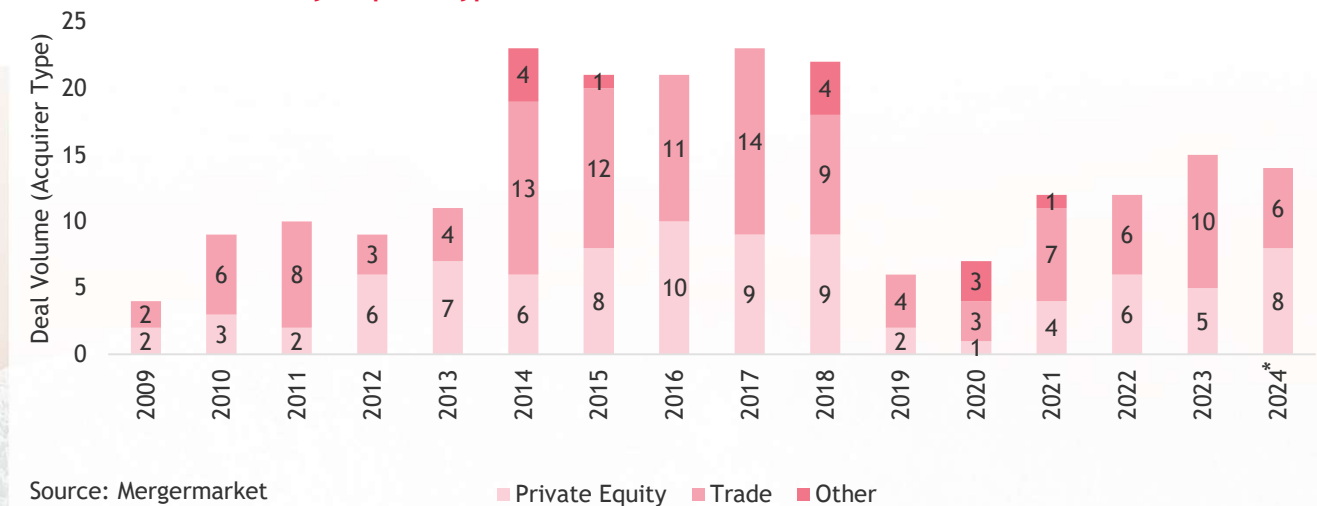
The key takeaways are:

- Deal volumes are still not back to the peak activity years of 2014 to 2018, supporting our thesis that 2025 will be an even bigger year for travel M&A.
- Private equity are back, supporting a healthy share of deal flow as they did before the Covid years.
- Due to the higher cost of debt, domestic deals are a much smaller share of the total deal volume. Debt pricing was such an essential component of the holiday park deal frenzy from 2014 - 2022.

UK travel deal volume by sub-category 2009-2024



UK travel deal volume by acquirer type 2009-2024



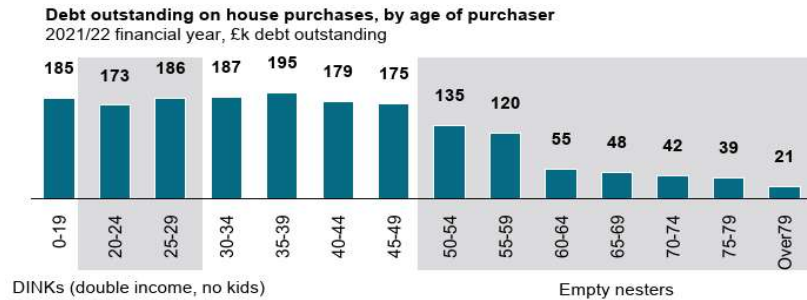
Source: Mergermarket

* 2024 is the position as of 8th October 2024

Rockin' chair

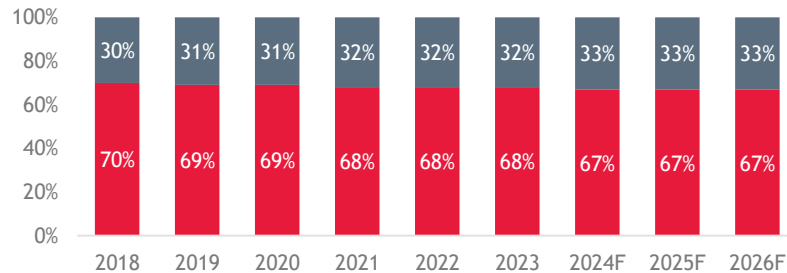
Demographic trends in the UK support the underlying growth of many of our travel clients. The over-55 age cohort is increasing in size and is much more affluent than it has ever been. The Baby Boomer generation, having benefited from exceptional house price appreciation, sits on record wealth levels. Businesses targeting this cohort have benefited from a very resilient customer base fuelling demand.

The chart below illustrates this point with outstanding mortgage debt by age group.



Source: CIL

Share of UK population by age bracket



Source: ONS

■ Under 55s ■ Over 55s

Bring it on down

The £400bn of incremental spending by the UK government to help cushion the horrific effects of Covid, together with the Russian invasion of Ukraine, inevitably led to double digit inflation across the UK economy. This has happened at the same time as hoteliers have been eager for post Covid occupancy boosts, whilst aviation capacity has also steadily increased.

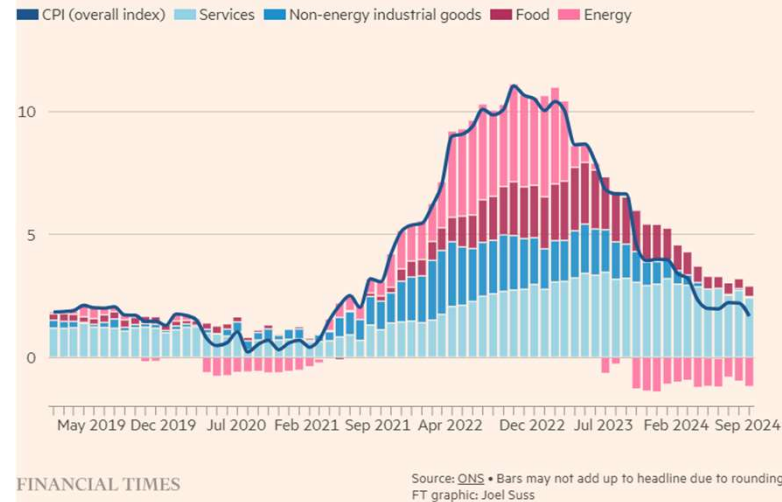
As a result, tour operators have been able to skilfully remind consumers of their “safe booking with us” credentials, push up their prices while the rest of the economy is in inflation. In a landscape where consumers see price rises as “normal” margin gains have been easier to achieve for those businesses with the best tech and yield management systems.

The reduction of inflation in September to 1.7% is great news for all tour operators.

UK headline inflation dipped below target in September

Contributions to inflation by main categories (percentage points)

Solid line is headline annual inflation rate (%)



Source: Financial Times

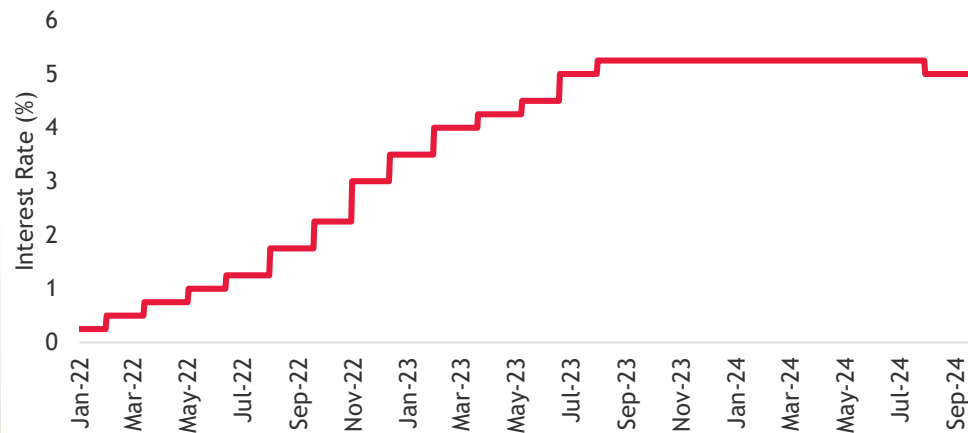
Married with children

The story for the over-55 age cohort is a different one for those, like me, in their 30s and 40s with children and a mortgage. Here, a spiking of energy costs coupled with soaring housing costs has dampened disposable income and impacted demand.

Highlighting the resilience of travel, large operators like On the Beach, who are very popular with families, still reported 15% growth in TTV in its September 2024 numbers. loveholidays have also increased their ATOL numbers by 50%, representing huge growth on last year.

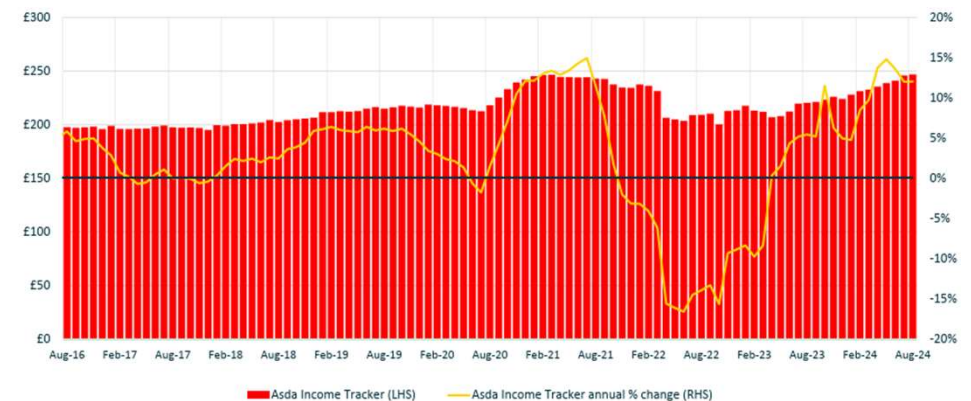
It doesn't take a genius to work out that a lowering of debt costs for both businesses, deals, and consumers, will help support further M&A activity next year. The current estimates from economists support two further reductions this year and four quarter point reductions in 2025 to end next year at 3.5%.

The easing of inflation, rise in wages and importantly the lowering of energy costs has supported the rise in disposable income as presented by the ASDA disposable income tracker.



Source: Bank of England

Asda Income Tracker, £ per week



Source: Asda Income Tracker

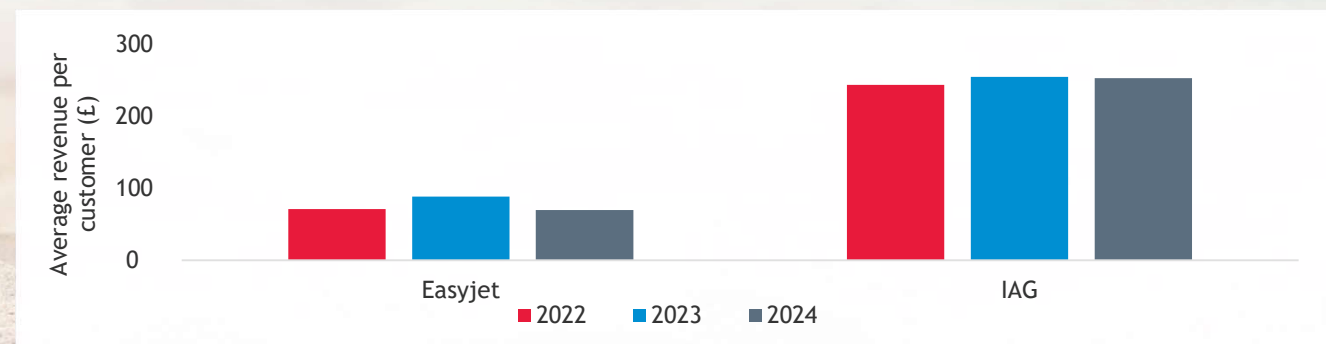
Little by little

The US and Eurozone are lowering rates at a faster rate than the UK, helping Pound Sterling continue its recent trend of appreciation.



CFOs will be busy buying as much foreign currency as they can, locking in future margins benefits.

CFOs will also be hoping for a lowering of flight prices as capacity recovers to pre Covid levels. This can be seen from the average revenue per passenger data below:



Up in the sky

Travel was very popular with private equity before Covid. Businesses such as Riviera, Audley and Iglu have been backed by their current investors for 8+ years and are performing very strongly (Riviera's recent statutory accounts show £22m EBITDA from £175m Revenue). When these exits complete in 2025 (as BDO predict) expect further interest in travel investment opportunities after the contagion effect flows through.

loveholidays, having reached 2X the EBITDA of On the Beach will also be a stellar return for its backers Livingbridge when it trades.

Expected transactions in FY25



I will believe

So, what does good look like for anyone thinking about transacting? I would focus on four golden rules:

01

Try and show a story supporting 15% + year on year turnover growth.

02

Margins can be strong in travel and there's no reason why EBITDA margins for tour operators can't be 10%+ and 30%+ for OTAs (when compared to net sales).

03

Have a believable and supportive view of addressable market and the size of the prize. Even better, reach new source markets - the larger the better.

04

Know your metrics, the most important being the customer acquisition cost to lifetime value ratio, supported by clear data on repeat rates.

A final note of caution, if you want to transact make sure you appoint an adviser that has been there and done it and survived to (confidentially) tell the story. Our friends at the CAA need to be respected and knowing the art of the possible is the key to a successful transaction.

We look forward to catching up soon!

Harry Stoakes and the BDO Leisure deals team.



Harry Stoakes
Partner

+44 (0)7785 576 325
harry.stoakes@bdo.co.uk

Case Study: Simpson Travel

BDO advised on the sale of Simpson Travel to Risk Capital Partners, one of the first deals to private equity in the travel sector post-Covid



Behind the scenes

BDO had a longstanding relationship with Simpson Travel, having known its founder, Graham Simpson, and the Business for over a decade.

Initial conversations about a potential sale began in early 2022, where BDO helped the company craft strategies around the sale's timing.

BDO actively participated in board meetings, offering input on key business decisions to ensure the best outcome for a future sale.

An action-packed process

The competitive auction process attracted interest from both strategic buyers and private equity firms.

All buyers were impressed by Simpson Travel's high repeat rates, customer satisfaction scores, and profitability. Any twists and turns were handled with foresight and expertise.

A great deal for all

With early engagement, BDO was able to feed into key strategic decisions to maximise value for all shareholders. Early preparation allowed BDO to launch the process when market conditions were most favourable.

We were delighted with the sale of Simpson Travel to Risk Capital Partners, a private equity house with extensive travel experience, who will back management to take the Business to new heights.

An outstanding business with top-tier KPIs

**Strong
Brand Loyalty**

50% repeat rate

18% referral rate

**Exceptional Customer
Service**

84% NPS Score

5★ Reviews

**High-Quality,
Unique Properties**

380+ properties

27 destination regions

Robust Financials

**15%+
YOY revenue growth**

**25%+
Gross Margin**

**10%+
EBITDA Margin**

“

**Graham Simpson,
Founder of Simpson Travel**

A deal of this size was new for me and many others on the Board and we are very glad to have chosen BDO as the advisors to take us through this process. BDO ran a meticulous process and were reliable partners throughout their engagement. Their assistance during the DD phase was invaluable. Their sector expertise was evident as they helped us navigate the complex regulatory and banking landscape. We thank the BDO team for their indispensable support and guidance.

**Ed Pyke,
Managing Director of Simpson Travel**

We are very pleased with our investment in Simpson Travel. We thank the BDO team for bringing the opportunity to our attention, for their assistance during our diligence process and for their efforts in facilitating the successful closure of this deal. We look forward to working with them on future transactions..

Case Study: Martin Randall Travel

BDO advised the shareholders on the sale of Martin Randall Travel to Piper PE LLP, a consumer-focused private equity firm.

“

Martin Randall,
Founder of Martin Randall Travel

I couldn't be more pleased that we chose BDO to be our advisors. They are a bunch of very smart people, with magisterial mastery of their business, anticipating every question, so understanding that you often finished our sentences for us, blisteringly efficient, relentlessly patient, tirelessly good humoured and jolly good sorts all round.

Fiona Charrington,
CEO of Martin Randall Travel

BDO were exceptional throughout this process, from the very first meeting to the very last. Well-briefed and well-connected, they listened carefully and responded quickly - and kept to the timetable. Their advice and support surpassed all expectation. They also handled us brilliantly: patiently explaining so much that was new, and with relentless good humour and encouragement, even in the deep depths of FDD. I am immensely grateful to you all.

Martin Randall Travel is a leading cultural tour operator in the UK, operating tours and hosting music festivals globally. The Business provides itinerary-rich group tour experiences (typically small groups of 18) with highly curated content delivered by the best lecturers globally in their specialist subject area. Martin Randall Travel benefits from multiple source markets including UK, USA and Australia.

Differentiating factors:



Leading Academics

Academics, curators, writers, broadcasters and researchers accompanying tours

60%

Solo Travelers

Significantly above industry norms



Popular with travellers aged +55

A growing age group in the UK that are cash rich and time rich.



Complex product

Special access and complex itineraries make it impossible to replicate or disintermediate



43% of customers discovering Martin Randall Travel by word of mouth



Repeat Rate

A loyal and resilient customer base



MARTIN RANDALL TRAVEL

Case Study: Newmarket Holidays

BDO have advised the shareholders of Newmarket Holidays on their investment from Soho Square Capital.



BDO were delighted to have advised the shareholders of Newmarket Holidays on their investment from Soho Square Capital

Newmarket Holidays is a leading escorted tour operator in the UK, operating award-winning tours and holidays globally. The Business provides meticulously crafted, itinerary-rich group tour experiences at a value-for-money price point. The Business has a compelling product-market fit, targeting a financially resilient, time-rich and growing customer base, leveraging and building upon its 40+ years of successful trading.

What makes Newmarket special:



Newmarket's core customer base is financially secure over 50s. They are a time-rich, loyal and growing customer base that crave the wish-list experiences that Newmarket provide



Its affordable price point, exceptional service and continuously expanding product offering, provides its customers with choice and value ahead of its competitors



It is an expert in yield management, underpinned by a unique technology stack, which has resulted in consistently improving margins



Newmarket is home to a highly talented senior management team who are experienced in operating across multiple travel sub-sectors. They will continue to be supported by a knowledge-rich board consisting of the original founders, and as part of the transaction, Geoff Parkin, Ailsa Pollard & Soho Square Capital.

“

Niel Alobaidi,
CEO at Newmarket Holidays

“This partnership with Soho Square Capital brings an exciting new chapter for Newmarket Holidays, and we are very grateful to all the BDO team for their support in delivering this. Their expert advice and determination were critical for the completion of this complex deal.”

David Steel,
Director at Soho Square Capital

“We are incredibly excited with our investment in Newmarket Holidays and are grateful to the BDO team for managing an efficient process from start to finish. Their deep knowledge of the sector was evident from the outset and played a crucial role in navigating the complexities of the travel industry, ensuring a smooth deal completion. We look forward to working with BDO again in the future.”

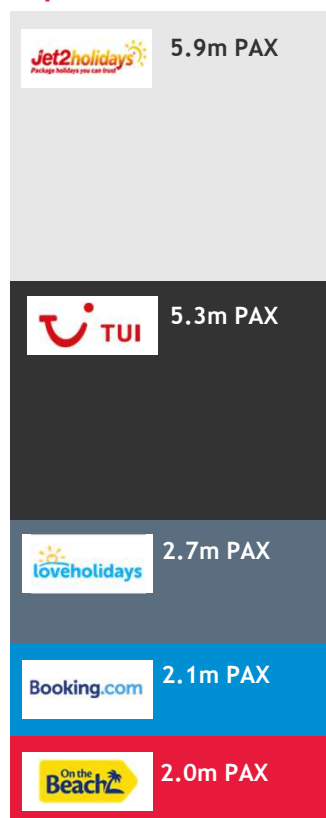
The Top 5 ATOL Holders (Sep 2023 vs Sep 2024)

There has been lots of change since last year in this fast-moving market

Top 100 holders:
27.7m
Passengers

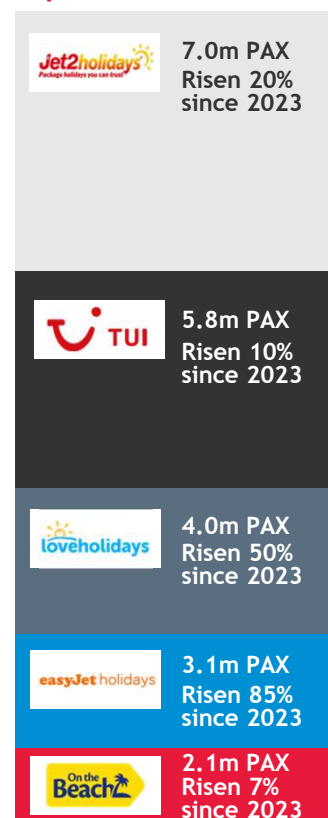
Top 5 ATOL holders
as a % of the top 100:
65%

September 2023 Top 5 ATOL Holders



2023 Sep ATOL
Passenger Numbers

September 2024 Top 5 ATOL Holders



2024 Sep ATOL
Passenger Numbers

Top 100 holders:
31.1m
Passengers

Top 5 ATOL holders
as a % of the top 100:
71%

In October 2023 we presented analysis of the most recent ATOL figures, sourced from the Civil Aviation Authority (CAA), focusing on the top 5 UK travel operators. Subsequently, following the September 2024 renewal period, we have re-examined the data for notable changes that have occurred:

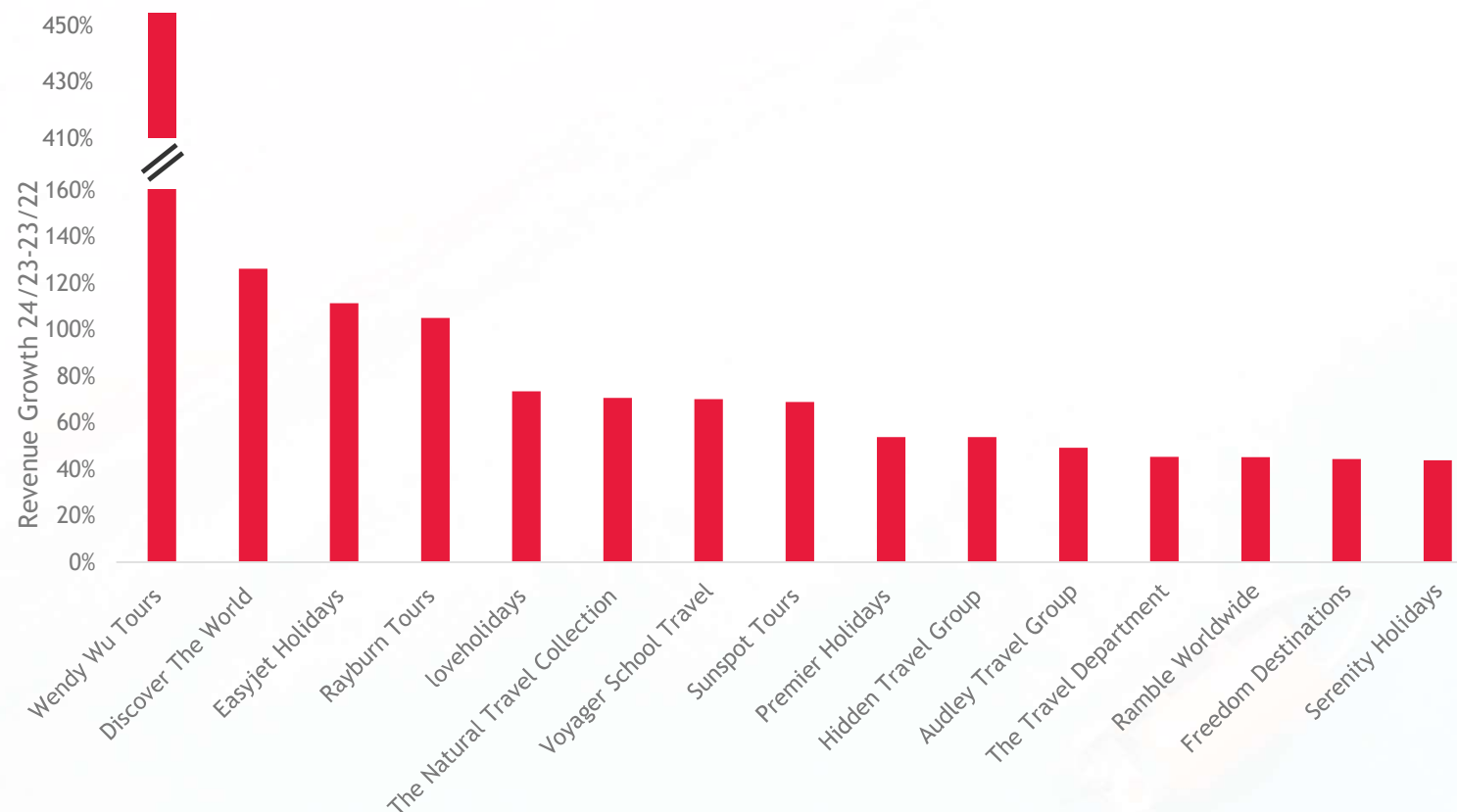
- ▶ Booking.com has dropped out of the top 5 and has been replaced by easyJet holidays. Impressively, easyJet Holidays experienced an 85% surge in licensed passengers, rising from 1.65m in September 2023 to 3.1 m in March 2024.
- ▶ In 2024, the top 100 ATOL holders collectively held 31.1m passenger licenses, reflecting growth of 12.8% from 27.7m in September 2023. Meanwhile, the top 5 ATOL holders experienced a substantial 23.3% increase in combined passengers, rising from 18.0m to 22.2m compared to September 2023.
- ▶ Jet2holidays and TUI remain in 1st and 2nd spot with 7.0m and 5.8m ATOL licenses respectively.
- ▶ loveholidays has maintained its spot in 3rd place and is continuing to accelerate growth by increasing its licensed passengers by 50% since September 2023.

The 2024 Outbound Growth League

The Outbound Growth League outlines the companies that experienced the highest year-on-year revenue growth in the UK travel industry

- ▶ Wendy Wu Tours tops the BDO 2024 Growth League with an impressive growth rate.
- ▶ loveholidays continues to grow at a very rapid rate, especially impressive given they are licenced to sell tours to over 4 million passengers annually.

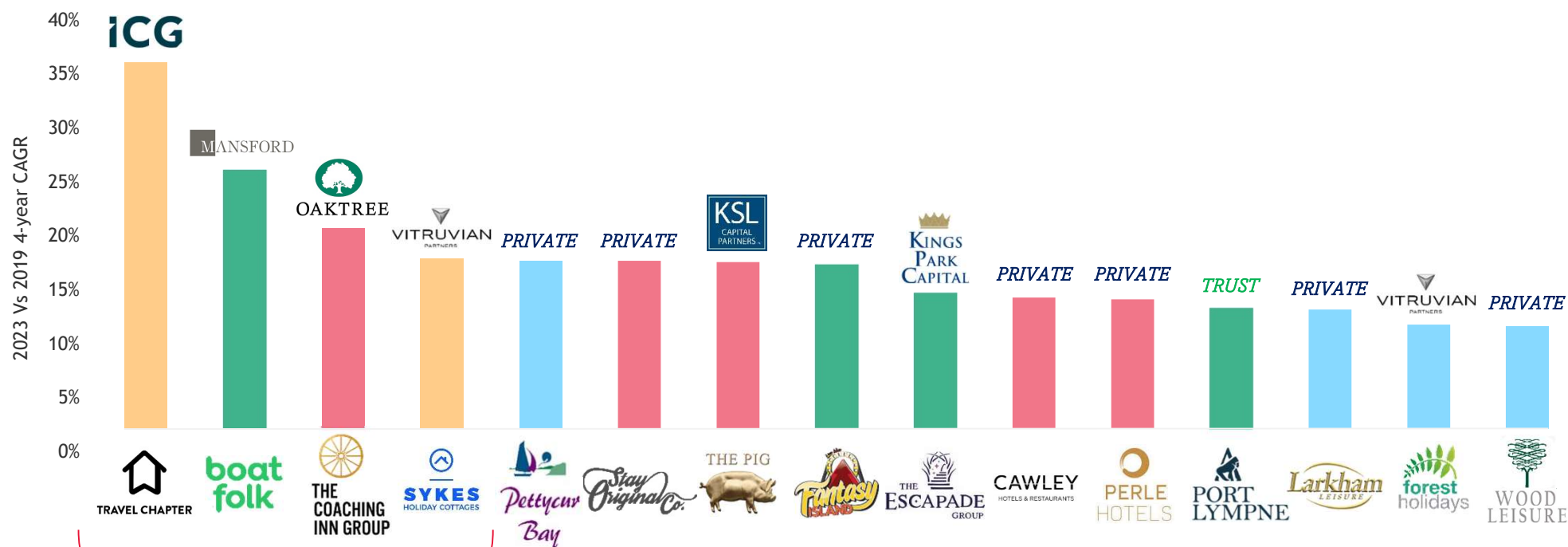
The 2024 Outbound Growth League



*Most recent financial statements have been used

BDO Domestic Travel Growth League

Congratulations to The Travel Chapter, Boatfolk Marinas and the Coaching Inn Group who make up the top three of our 2023 Domestic Growth League



The top 4 all have private equity backing.

➔ Agencies
 ➔ Activity based
 ➔ Hotels / Country escapes
 ➔ Holiday Parks

The Domestic Travel Growth League list the UK's fastest growing travel companies by revenue. The chart shows the top 25 based on their four-year reported revenue compound annual growth rate (CAGR). The list excludes international hotel groups and companies with revenue less than £5 million.

Our BDO Credentials In The Travel Sector

Buy-side  Acquisition by Cruise.Co	Sell-side  Sale to Bridgepoint Development Capital	Buy-side  Acquisition by dnata	Buy-side  Acquisition by Growth Capital Partners	Buy-side  Acquisition by Inflexion Private Equity	Buy-side  Acquisition by dnata	Sell-side  Sale to TUI Travel	Sell-side  Sale to eDreams	Buy-side  Acquisition by Al Tayyar travel group
Buy-side  Acquisition by Clarity Travel Management	Buy-side  Acquisition by dnata	Sell-side  Sale to Holiday Extras for Thomas Cook	Sell-side  Sale to Travel Leaders	Buy-side  Acquisition by JacTravel	Buy-side  Acquisition by Vitruvian Partners	Buy-side  Acquisition by dnata	Sell-side  Sale to Risk Capital Partners	Buy-side  Sale to Portman Travel Group
Sell-side  Sale to On The Beach plc	Buy-side  Acquisition by Inflexion Private Equity	Sell-side  Sale to Equistone Partners	Buy-side  Acquisition by ECI Partners	Sell-side  Significant minority investment by Rockpool	Sell-side  Sale to Hotelbeds	Sell-side  Sale to Hotelplan	Sell-side  Sale to Alcuin Capital Partners	Investor advice  Investor advice to LDC on its exit
Sell-side  Sale of Cruising Excursion to Hornblower Group	Sell-side  Sale to Green Tomato Cars	Buy-side  Acquisition by Piper	Sell-side  Sale to ctm	Sell-side  Sale to CMAC Group	Buy-side  Acquisition by Portman Travel Group	Sell-side  Sale of PrivateFly to Directional Aviation	Sell-side  Sale to Skyscanner	Buy-side  Acquisition by Portman Travel Group from Capita PLC
Sell-side  Sale to Away Resorts/Ldc	Buy Side  Acquisition by Der Touristik	Sell Side  Sale to Risk Capital Partners	Sell Side  Sale to Piper PE	Sell Side  Investment by Soho Square				

BDO's Travel Teams



Mergers & Acquisitions

Harry Stoakes
Partner

+44 (0)7785 576 325
harry.stoakes@bdo.co.uk

Tom Urquhart
Director

+44 (0)7966 237 943
tom.i.urquhart@bdo.co.uk

Rhys Bowen
Senior Manager

+44 (0)7812 466 390
rhys.bowen@bdo.co.uk

Yashna Gopal
Senior Manager

+44 (0)7870 260 256
yashna.gopal@bdo.co.uk

Alec Fennell
Manager

+44 (0)7812 463 207
alec.fennell@bdo.co.uk

Freddie Florin
Manager

+44 (0)7812 465 015
freddie.florin@bdo.co.uk

Transaction services

Andy Harris
Partner

+44 (0)7966 010 259
andy.harris@bdo.co.uk

Jo Davenport
Partner

+44 (0)7800 682 103
jo.davenport@bdo.co.uk

Richard Crisp
Director

+44 (0)7583 941 675
richard.crisp@bdo.co.uk

Audit

Charles Morelli
Partner

+44 (0)7768 143 930
charles.morelli@bdo.co.uk

Dominic Stammers
Partner

+44 (0)7800 682 735
dominic.stammers@bdo.co.uk

Gemma Flanagan
Director

+44 (0)7800 682 845
gemma.flanagan@bdo.co.uk

Tax/Vat

Neil Stockham
Partner

+44 (0)20 7893 2304
neil.stockham@bdo.co.uk

Eyad Hamouieh
Partner

+44 (0)20 7509 9419
eyad.hamouieh@bdo.co.uk

Vicky Robertson
Principal

+44 (0)20 7893 2394
vicky.robertson@bdo.co.uk

Martyne Pearson
Partner

+44 (0)7970 023 325
martyne.l.pearson@bdo.co.uk

Ashley Rawson
Associate Director

+44 (0)20 3860 6181
ashley.rawson@bdo.co.uk

FOR MORE INFORMATION:

Harry Stoakes
Partner

+44 (0)7785 576 325
harry.stoakes@bdo.co.uk

Tom Urquhart
Director

+44 (0)7966 237 943
tom.i.urquhart@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © October 2024 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk